



**STATE OF DELAWARE
PUBLIC SERVICE COMMISSION**

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MEMORANDUM

TO: The Members of the Commission

FROM: Amy J. Woodward, Public Utilities Analyst
Kevin Neilson, Regulatory Policy Administrator *KN*

DATE: June 27, 2013

SUBJECT: IN THE MATTER OF THE APPLICATION OF DELMARVA POWER & LIGHT COMPANY FOR AN INCREASE IN ELECTRIC BASE RATES AND MISCELLANEOUS TARIFF CHANGES (FILED MARCH 22, 2013) – PSC DOCKET NO. 13-115

IN THE MATTER OF THE INVESTIGATION INTO DELMARVA POWER & LIGHT COMPANY'S PLANNED DISTRIBUTION INFRASTRUCTURE INVESTMENTS OVER THE NEXT FIVE YEARS (OPENED APRIL 16, 2013) – PSC DOCKET NO. 13-152

Background:

On March 22, 2013, Delmarva Power and Light Company ("Delmarva" or "Company") filed an application with the Delaware Public Service Commission ("the Commission") seeking an increase in electric base rates. The total revenue increase requested by Delmarva in this matter is \$42,044,000 or 7.38% over present rates. In addition, Delmarva stated that it intends to invest approximately \$397 million in its distribution system over the next five years to replace infrastructure and enhance and maintain system reliability (Docket No. 13-115, Direct Testimony of Michael W. Maxwell at 3, 5.) On April 16, 2013, the Staff of the Commission ("Staff") filed a motion (the Motion) requesting the Commission to open an investigation to examine Delmarva's proposed expenditures for reliability improvements over the course of the next several years to maintain adequate and reliable service. On May 7, 2013, the Commission considered the motion and entered Order 8363 opening PSC Docket No. 13-152 for the purpose of investigating Delmarva's proposed distribution infrastructure and reliability investments going forward for a period of up to five years, and for investigating whether the previous reliability standards set for Delmarva in Regulation Docket No. 50 should be revised to (1) include new or adjusted metrics to help measure reliability

performance as it relates to distribution infrastructure and reliability investment, and (2) indicate when and if such investment is consistent with Delmarva customers' reliability needs and the ability of those customers to pay for such investment.

Staff sought the assistance of a consultant(s) in these dockets to assist with various tasks. Invitations to Bid were published in "The News Journal" and the "Delaware State News" soliciting Consulting Services to the Delaware Public Service Commission in the Matter of the Application of Delmarva Power & Light Company for an Increase in Electric Base Rates and Miscellaneous Tariff Changes – PSC Docket No. 13-115 and in the Matter of the Investigation into Delmarva Power & Light Company's Planned Distribution Infrastructure Investments Over the Next Five Years – PSC Docket No. 13-152.

Staff sent proposals to the following twenty-three consulting firms: AUS, Inc.; Battelle; Black & Veatch; Booze Allen Hamilton; Burns & McDonnell; C. H. Guernsey & Company; HIS; Concentric Energy Advisors; Energy Ventures Analysis, Inc.; GDS Associates, Inc.; DNV KEMA; Navigant Consulting, Inc.; NERA Economic Consulting; VENTYX; Pace Global; PFC Energy; Resource Insight Inc.; Liberty Consulting Group; The Brattle Group; Mr. Lee Smith; Exeter Associates, Inc.; Synapse Energy Economics; LanzaLotta & Associates LLC and posted the RFP on the Public Service Commission website.

We received bids from three firms: Synapse Energy Economics, Inc.; Silverpoint Consulting, LLC; and Sage Management Consultants, LLC.

Staff requested that the consultants provide bids on two separate tasks: Task 1 – Engineering /Reliability; Task 2 – Business Strategy Evaluation. The consultants could bid on any or all of these tasks.

Task 1: Engineering /Reliability

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| • Silverpoint Consulting LLC | \$120,000 * Total for both Task 1 and Task 2 |
| • Sage Management Consultants, LLC | \$50,000 |

Silverpoint Consulting LLC ("Silverpoint") recently worked on a similar case in Maryland co-authoring a report to the Maryland Public Service Commission in the Evaluation of the Reliability and Quality of the Electric Distribution System of Potomac Electric Power Company, a sister company of Delmarva. Although Staff has not retained Silverpoint in the past, Staff feels that the credentials of the Silverpoint team along with their familiarity with other PEPCO company practices provide Silverpoint with the expertise needed in the present dockets. Silverpoint's bid was for both task 1 and task 2 and did not break the bid out by task. As discussed below, Staff also is recommending that the Commission approve Silverpoint for task 2. Staff therefore recommends that the Commission approve the bid of Silverpoint for a total amount not to exceed \$120,000 for the two tasks combined.

Task 2: Business Strategy Evaluation

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| • Silverpoint Consulting LLC | \$120,000 * Total for both Task 1 and Task 2 |
| • Sage Management Consultants, LLC | \$75,000 |
| • Synapse Energy Economics, Inc. | \$59,460 |

As stated above, Staff has not worked with Silverpoint in the past but given their familiarity with other PEPCO companies and the fact that they recently performed a similar review of reliability for the Maryland Public Service Commission and co-authored a report concerning similar issues in Maryland Staff recommends that the Commission approve the bid of Silverpoint for task 2. As discussed above, Silverpoint's proposal did not separate the bid by task. Instead Silverpoint provided a total bid for both tasks in the amount of \$120,000. Staff is recommending that the Commission approve Silverpoint's bid for a total amount of not to exceed \$120,000 for both tasks identified in the request for proposal.

Staff recommends that the Commission approve the Tasks 1 and 2 as stated above.